

**NORFOLK STATE UNIVERSITY**

**INTERCOLLEGIATE ATHLETIC PROGRAMS  
FOR THE YEAR ENDED  
JUNE 30, 2010**



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## INTERNAL CONTROL FINDING AND RECOMMENDATION

### Improve Internal Controls over Ticket Center Cash Receipts

University Ticket Center staff do not sufficiently resolve and document differences between tickets sold and cash collected. While the Ticket Center procedures provide detailed guidance on how Cashiers should reconcile their daily cash transactions, we noted five instances where the Cashier did not properly document reasons for their cash reconciling differences. Cashiers properly noted cash differences ranging from \$30 to \$125 on their daily reconciliations, but the Supervisor did not resolve or acknowledge these differences. Not resolving cash shortages could result in misstatement of revenues and provide opportunities for misappropriations of collections.

We recommend that Ticket Center staff and supervisors work together to resolve and document differences between cash collections and tickets sold. Management should review unresolved cash shortages to determine whether there is a need to change procedures to avoid further losses. We also recommend that management properly train Ticket Center Staff to prevent, identify, and resolve differences and shortages. Management should develop and implement policies and procedures that address cash shortages, and follow up for reoccurrences.



# Commonwealth of Virginia

Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218

**Walter J. Kucharski, Auditor**

January 4, 2011

The Honorable Robert F. McDonnell  
Governor of Virginia

The Honorable Charles J. Colgan  
Chairman, Joint Legislative Audit  
And Review Commission

Kim Luckes, Acting President  
Norfolk State University

## INDEPENDENT AUDITOR'S REPORT ON APPLICATION OF AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by the Acting President of **Norfolk State University**, solely to assist the University in evaluating whether the accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs of the University is in compliance with National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.16.1, for the year ended June 30, 2010. The University's management is responsible for the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs and the Schedule's compliance with NCAA requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the University. Consequently, we make no representation regarding sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

### Agreed-Upon Procedures Related to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

The procedures that we performed and our findings are as follows:

#### Internal Controls

1. We reviewed documentation of accounting systems and operating procedures. We reviewed the relationship of internal control over Intercollegiate Athletics Programs to internal control reviewed in connection with our audits of the University's financial statements. In addition, we identified and reviewed those controls unique to Intercollegiate Athletics Programs, which were not reviewed in connection with our audits of the University's financial statements.

2. We reviewed an organizational chart provided by the Intercollegiate Athletics Department and discussed it with appropriate personnel. We also made certain inquiries of management regarding control consciousness, the use of internal audit in the department, competence of personnel, and protection of records and equipment.
3. Intercollegiate Athletics Department management provided us with their procedures for gathering information on the nature and extent of affiliated and outside organizational activity for or on behalf of the Intercollegiate Athletics Programs.

#### Affiliated and Outside Organizations

4. Intercollegiate Athletics Department management identified all intercollegiate athletics-related affiliated and outside organizations and provided us with copies of audited financial statements for each such organization for the reporting period.
5. Intercollegiate Athletics Department management prepared and provided to us a summary of revenues and expenses for or on behalf of the Intercollegiate Athletics Programs by affiliated and outside organizations included in the Schedule.
6. We obtained any additional reports regarding internal control matters identified during the independent audits of affiliated and outside organizations and inquired as to the corrective action taken in response to such comments. We noted that the affiliated organizations had been audited by independent public accountants and we were not made aware of any internal control findings.

#### Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

7. We obtained the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs (Schedule) for the year ended June 30, 2010, as prepared by the University and shown in this report. We recalculated the addition of the amounts on the Schedule, traced the amounts on the Schedule to management's worksheets, and agreed the amounts on management's worksheets to the Intercollegiate Athletics Department's accounts in the accounting records. We noted no differences between the amounts in the Intercollegiate Athletics Department's accounts in the accounting records and the amounts on the worksheets. We discussed the nature of work sheet adjustments with management and are satisfied that the adjustments are appropriate.
8. We applied certain analytical review techniques to the balances reported on the Schedule in order to determine the reasonableness of amounts reported therein. These techniques included trend analyses and other tests using operating data and review of actual amounts expended in comparison to budgeted amounts.

#### Revenues

9. We compared each major revenue account to prior period amounts and budget estimates. We obtained and documented an understanding of all significant variances.
10. Intercollegiate Athletics Department management provided us with a reconciliation of tickets sold during the reporting period along with complimentary tickets and unsold tickets to the revenue recorded in the Schedule and related attendance figures. We reviewed these

reconciliations for selected games and found such reconciliations to be accurate and agreed to amounts recorded as ticket revenue for those games.

11. We compared student fees reported in the Schedule to amounts reported in the accounting records and an expected amount based on fee rates and enrollment. We found these amounts to be materially in agreement.
12. Intercollegiate Athletics Department management provided us with settlement reports and game guarantee agreements for away games during the reporting period. This amount was deemed to be immaterial for detailed testing.
13. Intercollegiate Athletics Department management provided us with a listing of all contributions of moneys, goods or services received directly by the Intercollegiate Athletics Department from any affiliated or outside organization, agency or group of individuals that constitutes ten percent or more of all contributions received during the reporting period. This amount was deemed to be immaterial for detailed testing. Except for contributions received from the Norfolk State Intercollegiate Athletics Foundation, an affiliated organization, we noted no individual contribution which constituted more than ten percent of total contributions received for intercollegiate athletics.
14. From the summary of revenues and expenses for or on behalf of the Intercollegiate Athletics Programs by affiliated and outside organizations, we selected and tested receipts of such revenue and agreed each selection to supporting documentation and proper posting in the accounting records. We found all reviewed transactions to be in agreement.
15. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from tournaments, conference distributions, and NCAA distributions. This amount was deemed to be immaterial for detailed testing.
16. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from royalties, advertisements, and sponsorships. This amount was deemed to be immaterial for detailed testing.
17. Based on receipts as listed in the accounting records, we selected and tested collections by the Intercollegiate Athletics Programs. We compared and agreed the selected operating receipts to adequate supporting documentation. However, we noted five instances of undocumented reconciling differences. Our finding and recommendation entitled "Improve Internal Controls Over Ticket Center Cash Receipts" is described in the section titled "Internal Control Finding and Recommendation."

#### Expenses

18. We compared each major expense account to prior period amounts and budget estimates. We obtained and documented an understanding of all significant variances.
19. Intercollegiate Athletics Department management provided us a listing of student financial aid recipients during the reporting period. We selected individual student athletes across all sports and agreed amounts from the listing to their award letter. We also ensured that the total aid amount for each sport materially agreed to amounts reported as Financial Aid in the student accounting system.

20. Intercollegiate Athletics Department management provided us with a listing of coaches, support staff, and administrative personnel employed and paid by the University during the reporting period. We selected and tested individuals and compared amounts paid for one pay period or a bonus payment from the payroll accounting system to their contract or other employment agreement document. We found that recorded expenses equaled amounts paid as salary and bonuses and were in agreement with approved contracts or other documentation.
21. We discussed the University's recruiting expense and team travel policies with Intercollegiate Athletics Department management and documented an understanding of those policies.
22. We obtained an understanding of the University's methodology for allocating indirect facilities support and ensured that amounts reported on the Schedule agreed to amounts recorded in the accounting records.
23. Based on disbursements as listed in the accounting records, we selected and tested payments to third parties by the Intercollegiate Athletics Programs. These disbursements were for supplies, equipment, travel, and other general expenses. We compared and agreed the selected operating expenses to adequate supporting documentation. We found all reviewed amounts to be properly approved, in agreement with supporting documentation, and properly recorded in the accounting records.

We were not engaged to, and did not; conduct an examination, the objective of which would be the expression on an opinion on the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs or any of the accounts or items referred to above. Accordingly, we do not express such an opinion. Had we performed additional procedures or had we made an audit of any financial statements of the Intercollegiate Athletics Department of Norfolk State University in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to the University. This report relates only to the accounts and items specified above and does not extend to the financial statements of Norfolk State University or its Intercollegiate Athletics Department taken as a whole.

The University's response to the finding identified in our audit is included in the section titled "University Response." We did not audit the University's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Acting President and the University and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

JS/alh

## SCHEDULE



NORFOLK STATE UNIVERSITY  
SCHEDULE OF REVENUES AND EXPENSES  
OF INTERCOLLEGIATE ATHLETICS PROGRAMS  
For the Year Ended June 30, 2010

	Administration and General	Football	Men's Basketball	Women's Basketball	Other Sports	Total
Revenues:						
Ticket sales	\$ -	\$ 426,303	\$ 60,824	\$ 8,485	\$ -	\$ 495,612
Student activity fees	3,337,841	1,962,159	552,058	795,813	3,058,040	9,705,911
Game guarantees	-	-	292,000	5,500	-	297,500
Contributions	159,074	49,537	6,563	2,000	53,054	270,228
NCAA and conference distributions	337,866	-	-	-	-	337,866
Program sales, concessions, novelty sales and parking	8,223	-	-	-	-	8,223
Royalties, licensing, advertisements and sponsorships	24,668	5,500	-	12,282	-	42,450
Other	129,200	-	-	-	-	129,200
Total revenues	<u>3,996,872</u>	<u>2,443,499</u>	<u>911,445</u>	<u>824,080</u>	<u>3,111,094</u>	<u>11,286,990</u>
Expenses:						
Financial aid	124,401	985,109	293,003	212,162	1,350,979	2,965,654
Coaching salaries, benefits, and bonuses paid by the University	24,668	665,974	272,369	264,071	563,584	1,790,666
Administrative salaries, benefits, and bonuses paid by the University	1,101,591	29,021	-	-	-	1,130,612
Recruiting	197	28,712	30,088	27,159	9,417	95,573
Travel	300	88,736	198,529	122,686	401,187	811,438
Uniforms, supplies, and equipment	-	63,739	34,449	25,876	104,038	228,102
Game expenses	40,978	69,034	27,827	28,403	59,546	225,788
Marketing and promotion	153,671	32,502	4,142	2,000	7,903	200,218
Direct facilities, maintenance, and rental	480,664	769	-	1,583	2,160	485,176
Auxiliary administration	304,442	260,943	114,046	92,775	327,780	1,099,986
Medical expenses and medical insurance	178,426	7,795	-	868	5,844	192,933
Memberships and dues	39,262	235	600	437	3,138	43,672
Other	157,621	1,268	1,257	16,189	(29,572)	146,763
Total expenses	<u>2,606,221</u>	<u>2,233,837</u>	<u>976,310</u>	<u>794,209</u>	<u>2,806,004</u>	<u>9,416,581</u>
Excess (deficiency) of revenues over (under) expenses	<u>\$ 1,390,651</u>	<u>\$ 209,662</u>	<u>\$ (64,865)</u>	<u>\$ 29,871</u>	<u>\$ 305,090</u>	<u>\$ 1,870,409</u>

The accompanying Notes to Schedule of Revenues and Expenses of Intercollegiate Athletics Programs are an integral part of this Schedule.

NORFOLK STATE UNIVERSITY  
NOTES TO SCHEDULE OF REVENUES AND EXPENSES OF  
INTERCOLLEGIATE ATHLETICS PROGRAMS  
FOR THE YEAR ENDED JUNE 30, 2010

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs (Schedule) has been prepared on the accrual basis of accounting. The purpose of the Schedule is to present a summary of revenues and expenses of the intercollegiate athletics programs of the University for the year ended June 30, 2010, using the accounting methods used by the University to monitor intercollegiate athletics program activities. The Schedule includes both those revenues and expenses for athletics programs under the direct accounting control of the University and those on behalf of the University's athletics programs by outside organizations not under the University's accounting control. Because the Schedule presents only a selected portion of the activities of the University, it is not intended to and does not present either the financial position, changes in financial position, or cash flows for the year then ended. Revenues and expenses directly identifiable with each category of sport presented are reported accordingly. Revenues and expenses not directly identifiable to a specific sport are reported under the category "Administration and General."

2. CONTRIBUTIONS

The University received a \$337,866 contribution from the National Collegiate Athletic Association which was used for academic enhancement, and an additional \$270,228 in payments made on behalf of Intercollegiate Athletics Programs from the Athletics Foundation of Norfolk State University.

3. CAPITAL ASSETS

Capital assets include land, buildings and other improvements, equipment and infrastructure assets such as parking lots, sidewalks, campus lighting, and computer network cabling systems. The University generally defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost and donated capital assets are recorded at the estimated fair market value at the date of contribution. Expenses for major capital assets and improvements are capitalized (construction-in-progress) as projects are constructed. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose. The costs of normal maintenance and repairs that do not add to an asset's value or materially extend its useful life are not capitalized.

Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. Useful lives by asset categories are listed below:

Buildings	30 years
Other improvements and infrastructure	8-25 years
Equipment	4-20 years

A summary of capital asset balances for the year ending June 30, 2010 follows:

Depreciable capital assets:	
Buildings	\$32,071,713
Equipment	35,286
Infrastructure	103,500
Other improvements	<u>34,840</u>
Total depreciable capital assets	<u>32,245,339</u>
Less accumulated depreciation for:	
Buildings	18,052,937
Equipment	35,286
Infrastructure	21,563
Other improvements	<u>18,775</u>
Total accumulated depreciation	<u>18,128,560</u>
Total capital assets, net	<u>\$14,116,779</u>

#### 4. LONG TERM DEBT

The University issued General Revenue Pledge Bonds in 1996 for \$9,260,000 to finance construction of a sports stadium. The bonds will be repaid with general operating revenue through 2018.

<u>Athletic Facility</u>	<u>Interest Rates</u>	<u>Maturity</u>	<u>Balance at June 30, 2010</u>
Dick Price Stadium Series 1996 (d)	5.000-5.375	2018	\$4,635,000
<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	
2011	\$ 480,000	\$ 245,236	
2012	505,000	220,636	
2013	535,000	194,376	
2014	560,000	166,289	
2015	590,000	136,889	
2016-2018	<u>1,965,000</u>	<u>215,001</u>	
Total	<u>\$ 4,635,000</u>	<u>\$ 1,178,427</u>	

#### 5. ADMINISTRATIVE COST RECOVERIES

The University recovers from each auxiliary enterprise an amount to reimburse for the cost of administrative support. For the year ended June 30, 2010, the University recovered \$1,099,986 of auxiliary support costs from the Intercollegiate Athletics Department as reflected in the Schedule.

January 14, 2011

Walter J. Kucharski  
Auditor of Public Accounts  
P. O. Box 1295  
Richmond, VA 23218-1295

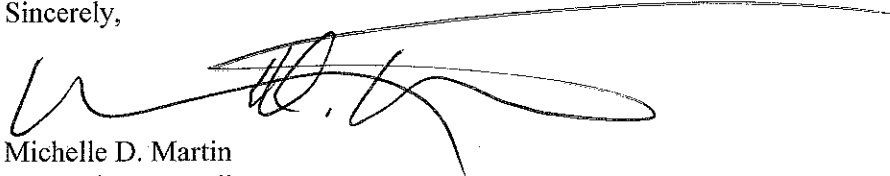
Dear Mr. Kucharski:

Norfolk State University has reviewed the NCAA internal control and compliance findings and recommendation provided by the Auditor of Public Accounts for the fiscal year ending June 30, 2010.

Attached is the University's response and corrective action plan for those findings. If you have any questions, please contact me at (757) 823-8275.

On behalf of Norfolk State University, please extend my appreciation to all of your staff for their professional audit work and recommendations.

Sincerely,



Michelle D. Martin  
University Controller

Attachment

- c Dr. Kim Luckes, Acting President
- Ms. Mary Weaver, Interim Vice President for Finance and Business
- Mrs. Margaret Massey, Interim Dean, School of Extended Learning & CIO
- Mr. Ernest Ellis, Director of Internal Audit

## **MANAGEMENT RESPONSE**

### **Improve Ticket Center Cash Receipts Reconciliations**

In response to APA's recommendation, the following corrective action plan has been developed and will be implemented immediately:

- The Ticket Center Standard Operating Procedures Manual will be reviewed and updated if needed with any procedural or operational changes.
- The Ticket Center review staff will continue to be trained on the proper techniques used in identifying and resolving cashier differences.
- The Ticket Center management staff will reiterate to the cashiers the proper methods of documenting daily cash and the importance of balancing to the Shift Audit Reports. The Ticket Center staff is in the process of reviewing all batches in the current fiscal year to assure that all necessary documentation is present.
- The Accounting Manager for Auxiliary Services will review cash receipt batches in the Ticket Center weekly for compliance.
- The Ticket Center Management staff will maintain a log to account for any shortages/overages.
- The Accounting Manager for Auxiliary Services will research and develop policies and procedures for shortages/overages.

NORFOLK STATE UNIVERSITY  
Norfolk, Virginia

BOARD OF VISITORS  
as of June 30, 2010

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Edward L. Hamm, Jr.  
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Gary T. McCollum  
Wade W. Perry, Jr.  
Donald W. Seale  
Lauren R. Tucker

UNIVERSITY OFFICIALS  
as of January 4, 2011

Dr. Kim Luckes, Acting President

Marty L. Miller, Athletics Director